CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

CROMPTON & KNOWLES CORPORATION

WORCESTER, MASSACHUSETTS, U.S.A.

TEXTILE AND PACKAGING MACHINERY • DYES AND CHEMICALS
REINFORCED PLASTICS • CONTRACT MACHINERY MANUFACTURING

Annual Report 1958

To Our Stockholders:

Earnings and Sales

In 1958 we earned $811,344, or $1.84 a share, after provision of $990,195 for Federal and state taxes. In the first half earnings were $170,818, or 38 cents a share, but results improved in the remainder of the year to $640,526 and $1.46 a share respectively. Better business in the second half of the year in certain segments of the consolidated organization, together with decided emphasis on programs to reduce the cost of doing business, aided materially in the improvement in earnings. In 1957 there were net earnings of $338,761, equal to 76 cents a share.

A moderate dip in total sales occurred in 1958 in comparison with volume of 1957. This was due to a slower pace of output in our textile machinery division. Diversification sales, on the other hand, showed a 12% rise which, together with an increase in contract manufacturing work at the Worcester plant, had an important effect in balancing out an unsatisfactory volume of deliveries to our textile customers.

Textile Machinery Division

Billings of textile equipment and parts accounted for 56% of the year's consolidated sales. Looms delivered were virtually the same number as in 1957. Repair part and changeover business continued to represent a substantial portion of this division's sales. We witnessed throughout 1958 a continuation of the depressed cycle of business on the part of textile weavers who normally buy our equipment in volume.

Contract machinery work at the Worcester plant amounted to 13% of consolidated sales, an improvement over the previous year.

Diversification Subsidiaries and Divisions

Of total consolidated sales for 1958, 44% was from activities other than textile machinery, the highest, in both dollar amount and percentage form, for any year since our diversification program began in 1954. Excellent sales gains were posted in the second half of 1958, notably in the areas of contract machinery work at Worcester and of reinforced plastics at Carl N. Beetle Plastics Corporation.

The latter subsidiary continues to give evidence of great promise. Its sales and earnings for 1958 were the best in its history. Manufacturing has now begun in the new plant illustrated later in this report.

The Althouse Chemical Company division continued into 1958 its favorable performance of previous years despite generally poor conditions in the dyestuffs industry as a whole.

The wrapping machinery division of our Packaging Corporation concluded the year with an encouraging improvement in profits. Other sections of that company were not able to match this division's performance, and this had an adverse effect on consolidated profits.

New Products and Facilities

Throughout 1958 there was expanding emphasis by all sections of the enterprise on new lines of machinery and other products. New as well as improved models of weaving equipment were delivered to customers in 1958, or are at present in stages of commercial production at the Worcester plant. Comparable progress may be reported for our Packaging subsidiary on whose account substantial expenditures were undertaken particularly with respect to can handling equipment.

Nearly $800,000 was spent on new production facilities during the year, and close to $500,000 on research and development projects.

Financial Condition

We continue to maintain a strong financial position. Working capital at the end of 1958 was in excess of $11 million, equal to $25.05 a share, up slightly from the close of the previous year. A further 5,700 shares of our common stock were purchased in the open market in 1958 and added to treasury holdings. Stockholders' equity at December 31, 1958 was $44.35 a share compared with $42.88 at the close of the previous year.

Prospects for the Future

The prolonged history of severely restricted purchases of weaving equipment on the part of the textile industry compels us to be somewhat cautious in any prediction for the immediate future. However, our backlog of orders for looms is better than it was a year ago, and there appears to be a much healthier interest in C&K looms on the part of mills than at any time in some years. If this continues we may expect improvement in new machinery sales during 1959. Repair and changeover business undoubtedly will continue in substantial and, we believe, improved volume.

In January, 1959 we completed negotiations with a European machinery builder to manufacture and distribute certain of our weaving machinery abroad. This was done through the medium of Crompton & Knowles International Limited, a new corporation established for the purpose of maintaining and increasing our foreign business. It will be well into 1959 before looms will be available under this program and consequently consolidated earnings for the current year will be affected to only a minor degree.

The growing acceptance by the industries concerned of both established and new models of equipment manufactured by our Packaging subsidiary undoubtedly will lead to increased volume and earnings for that company. We look to the Althouse Chemical Company division to continue a satisfactory performance. Our reinforced fiberglass plastics subsidiary may be expected to further its record of growth in the coming years.

We are optimistic about 1959 and believe that the year will be a good one for your company.

Annual Meeting

The Annual Meeting of Stockholders will take place on Tuesday, March 10, 1959, at the Company's offices in Worcester. If you do not plan to attend, the return of your signed proxy will permit you to be represented at this meeting.

Frederic W. Howes, Jr.

February 16, 1959

President

Crompton & Knowles Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

Year Ended December 31, 1958 with Comparative Figures for 1957

CURRENT EARNINGS

	1958	*1957*
Gross operating profit, exclusive of depreciation	$5,219,729	$4,906,696
Other income, net (note 5)	76,702	3,888
	5,296,431	4,910,584
Selling, general and administrative expenses	2,823,245	3,090,022
Depreciation	671,647	646,054
	3,494,892	3,736,076
Earnings before income and state taxes	1,801,539	1,174,508
Income and state taxes:		
Federal and Canadian taxes on income (note 5)	832,253	671,159
State taxes	157,942	164,588
	990,195	835,747
Net earnings for the year	$811,344	$338,761

RETAINED EARNINGS

	1958	*1957*
Retained earnings at beginning of year	$13,686,364	$13,683,906
Net earnings for the year	811,344	338,761
	14,497,708	14,022,667
Deduct dividends paid on common capital stock, $.75 per share in 1958 and $.75 in 1957	331,178	336,303
Retained earnings at end of year	$14,166,530	$13,686,364

See accompanying notes to financial statements.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
ACCOUNTANTS AND AUDITORS

THE STOCKHOLDERS
CROMPTON & KNOWLES CORPORATION:

We have examined the consolidated balance sheet of Crompton & Knowles Corporation and subsidiaries as of December 31, 1958 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Crompton & Knowles Corporation and subsidiaries at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have examined and reported previously on the accounts of Crompton & Knowles Corporation and subsidiaries for each of the nine years ended December 31, 1957. In our opinion, the accompanying summary of consolidated financial data for the ten years ended December 31, 1958 presents fairly the information stated therein.

Worcester, Massachusetts
January 28, 1959

Peat, Marwick, Mitchell & Co.

CROMPTON & KNOWLES COR

CONSOLIDATED

DECEMBE

WITH COMPARATI

ASSETS

	1958	*1957*
Current assets:		
Cash	$1,857,057	$1,796,597
Marketable securities, at cost or face value plus accrued interest (market value 1958—$2,328,600; 1957—$892,700)	2,329,149	863,964
Notes and accounts receivable, less estimated uncollectible accounts	3,096,036	3,781,907
Inventories, at the lower of cost or market	6,048,729	6,615,945
Prepaid expenses	209,709	215,183
Total current assets	13,540,680	13,273,596
Notes and accounts receivable, non-current	113,319	345,689
Property, plant and equipment, at 1932 appraised values plus subsequent acquisitions at cost, less accumulated depreciation (1958—$7,965,258; 1957—$7,527,261)	8,262,170	8,089,867
Formulae, trade-marks, trade names, patents and patent rights, less amortization of patents (note 2)	299,299	260,267
Excess of cost of investments in subsidiaries over their net book values (note 2)	1,524,614	1,546,304
	$23,740,082	$23,515,723

NOTES TO FINA

(1) The consolidated financial statements include the accounts of the Company and all subsidiaries. The accounts of the Canadian subsidiary are stated at their appropriate United States dollar equivalents on a basis consistent with the prior year. All inter-company transactions have been eliminated.

(2) Under agreements relating to acquisitions of businesses in prior years, payments are required to be made to the former owners annually equal to stipulated percentages of net sales or net earnings of the businesses acquired. At December 31, 1958 such future payments are limited to $979,700 after the inclusion in formulae, trade-marks, trade names, patents and patent rights and excess of cost of investments in subsidiaries over their net book values of the payments applicable to the current year.

(3) Non-contributory retirement plans for employees of the Company and a domestic subsidiary are presently in effect. At December 31, 1958 the liability for past service costs under such

ORATION AND SUBSIDIARIES
ALANCE SHEET
31, 1958
FIGURES FOR 1957

LIABILITIES

	1958	*1957*
Current liabilities:		
Note payable, current installment	$100,000	$100,000
Note payable by subsidiary	48,669	56,964
Accounts payable	688,773	755,008
Accrued expenses	704,064	759,875
Federal, Canadian and state taxes on income	951,234	916,327
Total current liabilities	2,492,740	2,588,174
Pensions, less $72,500 included in accrued expenses (note 3)	487,000	468,500
Three per cent note payable, due in annual installments of $100,000, less current portion	1,200,000	1,300,000
Stockholders' equity:		
Common capital stock, no par value Authorized 700,000 shares (note 4) Issued 471,768 shares	5,897,100	5,897,100
Retained earnings	14,166,530	13,686,364
	20,063,630	19,583,464
Less common capital stock held in treasury, at cost (1958—30,697 shares; 1957—24,997 shares) (note 4)	503,288	424,415
Total stockholders' equity	19,560,342	19,159,049
	$23,740,082	$23,515,723

AL STATEMENTS

plans is estimated at $2,656,000 of which $1,115,000 ($559,500 net after estimated Federal income taxes) is included as a liability in the accompanying balance sheet. Total pension costs charged to earnings before Federal income and state taxes during the current year were $680,000.

(4) Under the Company's restricted stock option plan, limited to 25,000 shares, options were granted in 1956 to two officers to purchase 12,500 shares of common capital stock at 95% of market value at date of granting. Such options are not exercisable until five years after date of granting.

(5) In 1958 the Federal income tax returns of the Company and certain of its subsidiaries were examined through 1957 and final settlement made with the government. As a consequence of these examinations the charge to 1958 earnings for Federal income taxes has been reduced by $100,043 representing provisions made in prior years no longer required and there has been included in other income $54,212 resulting from Revenue Agent's adjustments of maintenance and depreciation charges.

Crompton & Knowles Corporation and Subsidiaries

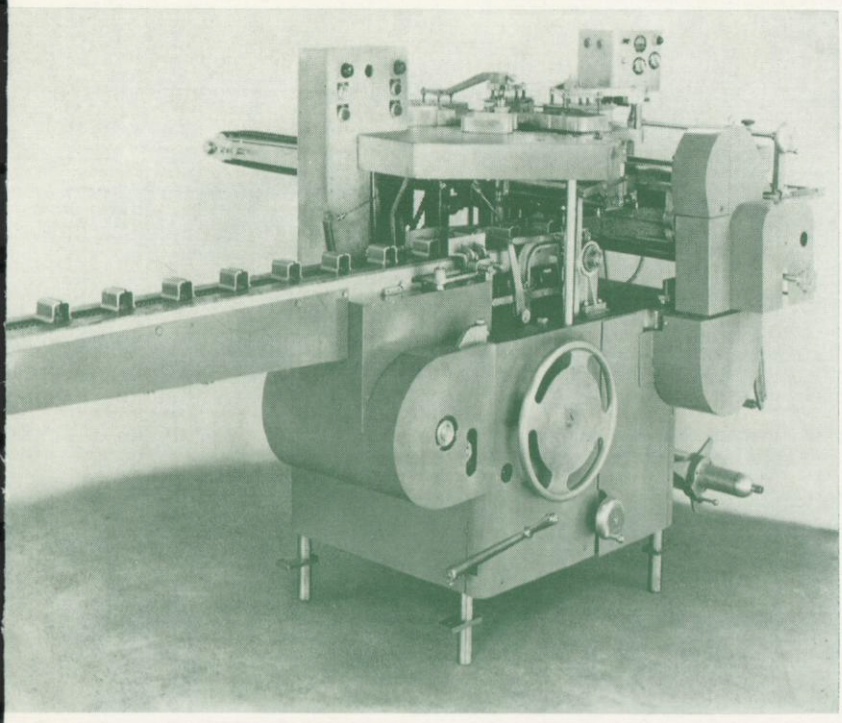
SUMMARY OF CONSOLIDATED FINANCIAL DATA

TEN YEARS ENDED DECEMBER 31, 1958

	1958	*1957*	*1956*	*1955*	*1954*	*1953*	*1952*	*1951*	*1950*	*1949*
Net sales based on index of 1946=100	146	150	181	148	109	107	151	247	258	239
Net earnings (after Federal and state taxes)	$ 811,344	338,761	1,282,155	927,131	230,659	89,234	1,059,358	3,092,064	3,892,178	4,698,940
Net earnings (after Federal and state taxes) per share common capital stock	$ 1.84	.76	2.85	2.06	.49	.19	2.25	6.55	8.25	9.65
Dividends declared on common capital stock	$ 331,178	336,303	563,476	451,121	117,942	235,884	825,594	1,415,304	1,887,072	1,710,159
Dividends declared per share common capital stock	$ .75	.75	1.25	1.00	.25	.50	1.75	3.00	4.00	3.62
Additions to property, plant and equipment (excluding amounts acquired on acquisition of subsidiaries and going businesses)	$ 787,010	694,731	447,358	335,057	204,093	69,315	259,656	600,800	449,726	539,704
Depreciation	$ 671,647	646,054	626,898	531,788	455,297	446,852	436,823	407,961	385,138	343,437
Working capital	$ 11,047,940	10,685,422	11,177,007	10,356,250	10,386,189	12,688,560	12,433,169	12,228,825	11,100,930	9,678,947
Working capital per share common capital stock	$ 25.05	23.92	24.87	22.81	22.02	26.89	26.35	25.92	23.53	20.52
Ratio of working capital	5.4	5.1	4.4	4.3	6.0	11.1	5.9	3.1	2.6	3.0
Common stockholders' equity	$ 19,560,342	19,159,049	19,188,941	19,022,643	18,847,317	18,734,601	18,636,066	18,187,513	16,553,806	14,618,900
Stockholders' equity per share common capital stock	$ 44.35	42.88	42.72	41.89	39.95	39.71	39.50	38.55	35.09	30.99

Amounts per share are stated after appropriate adjustment for the number of shares held in treasury.

NEW PRODUCTS AND PLANT MEAN FURTHER GROWTH



Frankfurt Wrapping Machine

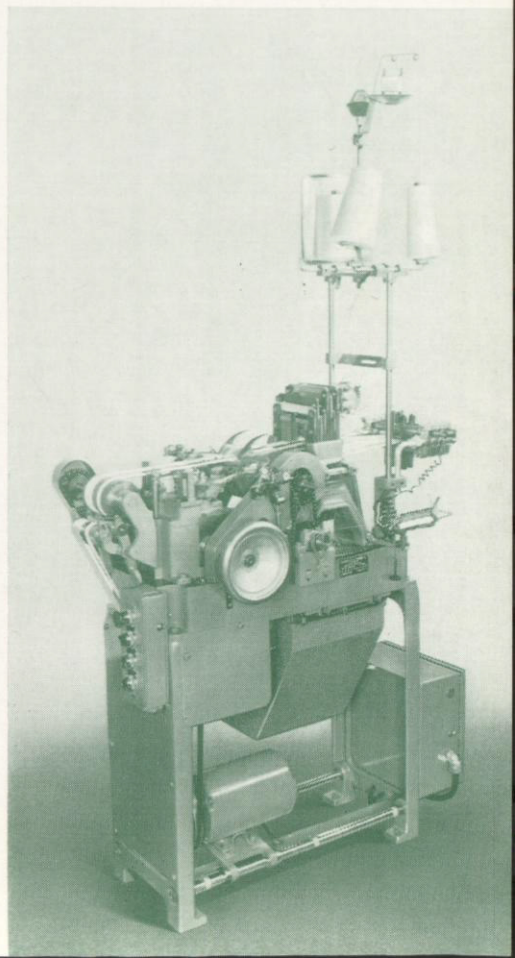
During 1958 Crompton & Knowles Packaging Corporation began commercial production of a new type overwrapping machine for packaging frankfurters. This machine was developed as a result of the meat industry's interest in automatic packaging machinery to replace semi-automatic or hand wrapping operations.

The CKF machine illustrated overwraps up to 65 one-pound packages a minute, a rate equivalent to the output of as many as a dozen hand operators. It handles all commercially available films, including the latest plastic types, and packages frankfurters attractively in a variety of arrangements.

Installations of the CKF machine are taking place in the plants of leading meat packers throughout the country. It is a significant addition to a steadily increasing line of packaging machinery being made available under the Company's research and development program.

New Beetle Building

The growth of Carl N. Beetle Plastics Corporation since its acquisition by Crompton & Knowles has brought about the construction of this new, modern, one-story plant situated at the municipal airport in Fall River, Massachusetts. It contains some 43,000 square feet of manufacturing space, more than double the size of the previous quarters. Sufficient land was acquired to permit expansion of buildings and facilities for many years into the future. The new plant, which began operations early in 1959, will enable the company to manufacture products it previously could not accept because of physical limitations of its original factory, as well as to keep pace with demand for regular products.



Narrow Fabric Needle Loom

One of our newest developments of weaving machinery is the narrow fabric needle loom illustrated here. Shipments of production models began late in 1958. It is designed for speeds of approximately 1400 sheds a minute, or seven times as fast as the conventional multiple shuttle narrow fabric loom. The machine weaves two pieces of material simultaneously, each $1\frac{1}{4}$ inches wide, for such uses as clothing tape, zipper tape, carpet binding, and numerous styles of elastic web. It is expected that within the next few years a substantial portion of total textile mill output of narrow fabric material will be woven on this machinery.

DIRECTORS

EDWARD L. CLIFFORD
President
Worcester County National Bank, Worcester

CARL S. FORSYTHE
Attorney
Forsythe, McGovern, Fetzer & Knapp, New York City

RUFUS S. FROST

FREDERIC W. HOWE, JR.
President

JOHN C. IRVIN
Manager of Charlotte, N. C., Office

WILLIAM D. IRELAND
President
Second Bank—State Street Trust Co., Boston

LUCIUS J. KNOWLES

JOSEPH F. MOLLOY
Vice-president

ALBERT PALMER
Vice-president

OSCAR V. PAYNE
Vice-president

WILLIAM J. SPEERS, JR.
Attorney
Warner, Stackpole, Stetson & Bradlee, Boston

ROBERT W. STODDARD
President, Wyman-Gordon Co., Worcester

OFFICERS

FREDERIC W. HOWE, JR.
President and General Manager

RUFUS S. FROST*
Vice-president, Treasurer, Clerk

ALBERT PALMER
Vice-president, Engineering

OSCAR V. PAYNE
Vice-president, Manufacturing

JOSEPH F. MOLLOY
Vice-president, Sales

JAMES BARRINGER*
Treasurer and Clerk

Transfer Agent and Registrar
WORCESTER COUNTY NATIONAL BANK

Auditors
PEAT, MARWICK, MITCHELL & CO.

*Mr. Frost retired on December 20, 1958 after 43 years of service with the Company.
Effective the same date, Mr. Barringer was elected to the offices of Treasurer and Clerk.

CROMPTON & KNOWLES CORPORATION

WORCESTER, MASSACHUSETTS, U. S. A.

Althouse Chemical Company Division, Reading, Pa.

Crompton & Knowles Jacquard & Supply Co., Pawtucket, R.I.

Crompton & Knowles of Canada Limited, Montreal, P. Q.

Carl N. Beetle Plastics Corporation, Fall River, Mass.

Crompton & Knowles Packaging Corporation, Holyoke, Mass.

SALES OFFICES

TEXTILE MACHINERY: Worcester, Mass. Pawtucket, R. I. Allentown, Pa. Montreal, P. Q. Charlotte, N. C.
PACKAGING MACHINERY: Holyoke, Mass. New York, N. Y. Chicago, Ill. St. Louis, Mo.

THE DAVIS PRESS WORCESTER MASS. U.S.A.